



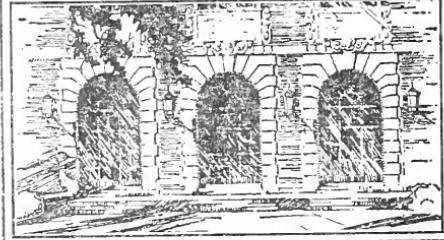
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# 75 Years of Gas Service in Chicago

By WALLACE RICE

*An interesting history of the origin and growth of the gas industry in Chicago, together with an account of the various gas companies now consolidated into one organization*



THE PEOPLES  
GAS LIGHT AND COKE COMPANY  
*Michigan Avenue at Adams Street*  
CHICAGO, ILLINOIS

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## Preface

SOMETHING will have gone amiss in this brief account of seventy-five years of gas service in Chicago if, at least between the lines, it is not apparent that there has been from the beginning a slow but certain training in that most difficult of all arts, the art of living, an education in humanity if not in the humanities.

At the outset the public had to be taught the use of gas as a means of lighting, the best then known; at the close the public is still being taught the use of gas, but for purposes of cooking, heating and refrigeration, and still the best. Always has there been adjustment and readjustment between the public, the Company and its employees. Since the creation of a state commission to supervise and regulate public utility companies, the men of wisdom and of political acumen who compose it have been learning that public utilities are well intentioned, and are increasingly aware that mere selfishness, however seemingly enlightened, means economic failure, while the Company has been taught in its turn that politicians and office holders can be fair and disinterested.

This educational process shows at its best in the final chapter. It takes time to rid both employer and employee of the outgrown suggestions implied in the old legal phrase "master and servant," but it is being done. The employee, as time goes on, is surer of the simple essentials to happiness, justice and his job. The management is equally assured of the willingness of its working force to give an honest day's work in return. The reactions of this double assurance upon the inhabitants of Chicago are truly making the prophecy come true which was long ago implied in the name, The Peoples Gas Light & Coke Company.

W.R.



## CHAPTER I

# Beginnings

On October 16, 1848, a group of men already prominent in Chicago and destined to become much more so, gathered in the law office of Norman B. Judd, in George Smith's Bank Building at Nos. 41 and 43 South Clark Street, to make the necessary application to the Illinois legislature for incorporation in order to begin the manufacture of gas for the city's streets and houses. Those who signed the application were Hart L. Stewart, postmaster and owner of the hotel later known as the St. James; W. S. Bennett; Francis C. Sherman, owner of the Sherman House, maker of much of the lime and brick that was building up the growing town, and its mayor in 1841 and, later, in 1862-1863; Peter L. Updike, a prosperous real estate dealer as well as a contractor and builder, and Peter Page, another builder and an alderman for the First Ward, which in those days lay east of State Street.

The first boat was to come up the Illinois River, through the Illinois and Michigan Canal and thence into Lake Michigan, on April 10, 1849, and the Canal, so long the commercial hope of the place, was to be formally declared open six days later with appropriate ceremonies, to do from the first a rushing business

with passengers and freight. Thus was placed at the young city's disposal for the first time the inexhaustible supply of coal in the neighborhood of La Salle, by which the manufacture of gas for illuminating purposes was made commercially possible.

### **Coal Scarce and Unused**

Theretofore such fuel of the kind as Chicago had known had come in sailing vessels from the East over the Lakes, and was expensive in comparison with the universally used wood for every heating and cooking use, taken from the forests near at hand. Eighty tons had been brought from Erie eight years before, and it had taken two years to sell it. Indeed, a new kind of grate, to stand on legs, had to be invented and introduced before the coal could be advantageously burned.

It is worthy of historical note that it was near La Salle and in the year 1680 that the first practical use of coal in the New World is mentioned. A party of French explorers and missionaries, captained by La Salle's trusted friend and lieutenant, Henry de Tonty, him of the iron hand, had with them a portable forge in which the new fuel was tried. They noted the coal as evil smelling; it was the first whiff of gas to reach a white man's nose in the Americas. It was also the beginning of the smoke nuisance, of which more will be said later.

As a further incentive to the introduction here of the first of what we now know as public utilities, gas companies had already been formed in Detroit and Cleveland, both much older and in 1840 more populous than Chicago, and they were to have gas light in their streets and houses in 1849. It was time to act and the place for action, now that cheap raw materials were to be afforded.

### **First Chicago Company**

On Monday, February 12, 1849, to begin his week well, Governor Augustus C. French signed the charter of the company at Springfield after its passage through the general assembly. It chanced to be the fortieth birthday of one of Springfield's rising lawyers, Abraham Lincoln, who had retired from active politics several years before and was devoting himself to building up a law practice that was presently to gain for him as clients such great corporations as the projected Illinois Central and the

Michigan Central Railroads. But it is doubtful if even the new gas company's attorney, Mr. Judd, who was to nominate Lincoln for the presidency at the Wigwam here in April, 1860, was aware of the coincidence.

The act conferred broad powers upon the Chicago Gas Light and Coke Company, and conferred them in perpetuity—"with perpetual succession," in the words of the charter. The company was authorized to manufacture and sell gas to be used for lighting any streets and buildings in Chicago and to lay mains and pipes for that purpose in any of its streets, lanes, and highways, provided no permanent damage was done them thereby, with no reference to consent by the city authorities therefor. It was given the exclusive right to supply gas to the city and its people for ten years, with no stipulation limiting its charges for such service. Its capital stock was fixed at \$300,000 in shares of \$25 each, and it was allowed to hold real estate not to exceed \$50,000 in value.

### The Company's Officials

Officers and Directors of the new corporation were duly elected by its stockholders and a corporate seal adopted on October 16, 1849. The Hon. Hugh T. Dickey, most popular as the first judge of the Circuit Court of Cook County, was elected President, an office he was to hold until 1873; James K. Burtis, a lumber dealer, became Secretary and Treasurer; and the Directors were Thomas Dyer, forwarding and commission merchant in South Water Street, to be Mayor of the city in 1862; Francis C. Sherman; Joseph Keen, Jr., a bookseller and stationer in Lake Street; Mark Skinner, a man of means and long the attorney for the corporation; Franklin Lee, George F. Lee, and John Lee, of Philadelphia, experienced builders of gas plants; and George Smith, of the Wisconsin Fire and Marine Insurance Company, the promises to pay of which were illegally in use as bank notes, but, having the fortunate quality of being redeemed when presented, were the one stable currency of those wild-cat days. Smith's name was a guaranty of financial stability, but all named were representative and energetic men, several of them already listed as "old settlers."

### The First Contracts

On October 16, 1849, the first contract was signed between the city of Chicago and the gas company, wherein the right to lay

pipes was granted and the monopoly to furnish gas was assured until February 10, 1858; all personal property taxes were remitted for five years, and good gas at \$2.50 a thousand feet was promised for the street lamps. No time limit was mentioned for doing the work or furnishing gas and no standard set.

The next day a contract was entered into between the Company and George F. Lee & Company of Philadelphia, for laying 24,000 feet of mains, providing gas meters, and building a manufacturing plant on the ground purchased at Monroe and Market Street, which was eventually carried through to Adams. There were to be a brick retort house to contain a bench of seven furnaces, a brick building for the purifying apparatus, station meter, and governor, which was to house the counting-room as well, and a gas holder with a capacity of 60,000 cubic feet, which was to be the capacity of the plant every twenty-four hours. All this was to be provided for \$130,000, payable as the work progressed up to \$80,000, the balance of \$50,000 being secured by first mortgage bonds upon all the real and personal property of the Company, bearing interest at 7 per cent and due two years after date. George F. Lee was further appointed the Engineer, with a salary of \$1,000 a year after the works went into operation. The gas was to be carburetted hydrogen (coal gas), actually of about 14 candle power, though this remained unspecified.

### Chicago's First Gas

The 24,000 feet of mains were duly laid, a thousand feet of these being ten inches in diameter, covering the principal streets down town, and an underground connection was made with the River to provide the water necessary in manufacture. Four hundred tons of coal were laid in for the beginning of operations. The City Council on September 13, 1849, ordained that no street lamp should be lighted until the private parties chiefly concerned should bear half the expense, and this was accomplished. Gas for private persons was to be \$3 a thousand, with a discount if the monthly bill was settled promptly, and 125 consumers were secured, in addition to 99 street lamps and the illumination of the city's one public building.

All was finally in readiness, and the manufacture of gas began on August 28, 1850, only one of the furnaces being fired. On

Wednesday, September 4, there were the required 60,000 cubic feet in the holder, and the gas was let into the street mains during the afternoon to clear the air from mains and pipes. Stores and residences were deserted to see the unguarded flames flicker and flare before they settled down to steady work. Enthusiastic consumers began lighting their shops before twilight, and as the sun went down Chicago rejoiced in what was the brightest night in her history, and another step was taken on the long upward march toward metropolisation.

### What the Papers Said

The next afternoon The Evening Journal observed of the event: "Some of the stores on Lake Street, particularly those devoted to California ware, made a brilliant appearance, and the gas lent an additional glory to refined gold. But the City Hall, with its thirty-six burners, is the brightest of all, night being transformed to mimic day."

The next Saturday The Gem of the Prairie, which was the weekly edition of The Chicago Tribune, had more to say, as follows: "Wednesday marked an era in Chicago. At about 2 o'clock p. m. the gas pipes were filled and brilliant torches flamed on both sides of Lake Street as far as the eye could see, and wherever the posts were set. The lanterns not having been affixed to the posts, the bright gaseous flame eddied and flickered in the wind, sometimes apparently disappearing, but anon shooting up as brightly as ever.

"The burners in Reed & Co.'s and in Keen's were lighted about the same time, presenting a bright golden flame. We believe these establishments had the honor of first lighting up with gas; others will not be much behind them. In the evening the lamps were again lighted, and for the first time in the history of Chicago, several of the streets were illuminated in regular city style. Hereafter she will not 'hide her light under a bushel.'

### Glimpsing Into the Past

Something of the life of that distant day can be read in and between the lines of the contemporaneous statements. Lake Street was then, and for many years afterward, the principal business thoroughfare and only shopping district. By "California

ware" in The Journal's account was meant the goods, equipment, and supplies demanded by those about to make the long overland journey to the Pacific Coast, where gold had been discovered at the beginning of 1848, and was at that moment in its highest state of productiveness. Nuggets of the glistening stuff had evidently been placed to catch the newer and brighter light, and add to the lure of sudden riches to be gained for the picking.

The "City Hall" was in the Market Building erected by the city government in January, 1848. It was set in the middle of State Street, with a frontage of forty feet on the line of Randolph and running back 180 feet toward Lake. The first of our municipal buildings, it was of brick, two stories in height, and it cost \$11,070. The ground floor was divided into thirty-two stalls for the marketmen, and on the second story were four rooms, one in front for the City Clerk, one in the rear for a non-existent library (a good omen), and between these a large double room with folding doors, used as a court-room by day and for the City Council and public gatherings by night.

"Reed & Co.'s" was the drug store of Josiah H. Reed & Company at Nos. 144 and 146 Lake Street; and "Keen's" was Joseph Keen & Brother, No. 161 Lake Street. Keen has already



Chicago in 1851, from an original drawing never before reproduced—Courtesy of Chicago Historical Society

been mentioned as one of the Directors of the Company, which had just leased the floor above his shop at \$75 a year, to provide a more convenient point for the payment of the monthly bills, being described as a "very central place." It is pleasant to note that all bills were promptly paid in order to get the discount and that all the 125 customers were well satisfied and pleased.

### Making A Good Start

The consumption of gas at the beginning averaged about 15,000 cubic feet a night, of which 11,800 was for private use. On October 6, 1850, it was found necessary to use the second furnace, increasing the output to 22,000 feet for the twenty-four hours, a total for the year of 8,030,000 cubic feet. With the help of moonlit nights, when the street lamps were not lighted, this was expected to carry the Company through for twelve months. Ready markets were found for coke at  $12\frac{1}{2}$  cents a bushel and for coal tar at \$1.50 a barrel, prices higher than had been expected, which went a good way in paying for the coal, part of which could be had during navigation from eastern coal mines at \$1.25 a ton.

At the beginning of 1851 the Company paid its first tax bill, amounting to \$78.80. This was for its real estate; a personal property tax was also levied, which was eventually compromised. (At the beginning of 1925 the taxes accrued of The Peoples Gas Light and Coke Company amounted to \$2,506,542.75. In 1924 there were 31,621,305,748 cubic feet of gas sold in Chicago.) On May 13, 1851, a semi-annual dividend of  $5\frac{1}{2}$  per cent was declared on the capital stock of \$90,000, and dividends were regularly paid by the Chicago Company thereafter.

### Keeping up With Population

In spite of many elements that worked against the larger use of gas the Company kept even with the rapid growth of the city. The city grew from 30,000 in 1850 to 110,000 in 1860, in spite of the disastrous panic of 1857 and the very hard times which followed, an increase of 367 per cent; in the same time the Company increased the number of miles of its mains from five to fifty-three, or more than 1,000 per cent, and the number of its consumers from 125 to more than 2,000, or more than 1,600 per cent.

In March, 1853, the contract was let for a main under the River at La Salle Street for supplying the North Side with gas, and four-inch mains were ordered laid from La Salle and North Water Streets to the Chicago & Northwestern Railroad station and on both sides of North Clark Street as far as Ontario. In the spring of 1854 a similar main to the West Side was laid under the River at Monroe Street. Meanwhile a holder with a capacity of 300,000 cubic feet was under construction at Adams, Monroe, and Market Streets to care for the increase of business, together with a manufacturing plant to correspond. Everything on that site was destroyed in the Fire of 1871 and never rebuilt.

### Facing the Future

On February 9, 1855, an amendment to the original charter of the Company was obtained from the Illinois Legislature, which authorized the Company to increase its capital stock to \$1,000,000, to borrow such money as it needed for constructing, carrying on and completing its work, and to issue bonds therefor, and which also legalized all bond issues previously made and gave the Company the right to acquire all such real estate in Chicago as might be needed for its business, thus removing the restrictions in the original document.

A holder on the North Side was completed in 1861 and another main from the shop on the South Side was carried across the River at Franklin Street to supply it; this time the main was a sixteen-inch one, in contrast to the four-inch pipe of eight years before. On May 20, 1859, a contract was entered into between the City Council and the Company whereby gas was to be furnished for ten years at \$2 a thousand feet, a reduction of 20 per cent. It was the beginning of providing cheaper gas, sadly interrupted by the mounting costs of labor and materials during and after the Civil War, then less than two years away.



## CHAPTER II

# Chicago Seventy-five Years Ago

As gas is the oldest of the indispensable group of modern conveniences-become-necessities now known as public utilities, so was it the first to enter into the daily lives of the people of Chicago, as elsewhere. In 1850 and for many a busy year afterward it was thought of only as a means of illumination; its developments for power, for warming houses, for cooking and refrigeration, and for every purpose for which controllable heat is demanded in the industries is a story not yet fully told nor ended, part of it growing out of the evolution of electricity.

What daily life was in the enterprising city, which was born in 1837, after thirteen years of civic life must seem incredible to the younger people of today, so lacking was it in so much of what we now look upon as the mere decencies of existence. Indeed, it was only the year before, in 1849, that Chicago was at its worst in several senses, for little had been done to make it habitable beyond laying out streets and building houses, and the population was apparently beyond control, so great had been its rush to arrive and so rushing the daily existence upon arrival.

Here sprawled an incongruous mess of hastily constructed buildings, for habitation and business, for which the so-called balloon frame had been invented that they might be thrown together with the greatest saving in time and materials, beauty of architecture being undreamt of.

### An Assortment of Evils

The water supply was wholly inadequate and what there was of it was bad. Epidemics of cholera appalled the town; there was one in 1849. Smallpox was always a threat. Typhoid was a menace, the worse for ignorance of its processes. It could hardly be otherwise when the only drainage was on the surface of the streets, their intersections were noisome cesspools and the ways themselves were filled with what was called at the time an "indescribable liquid." All surface waters and sewage poured into the river, with the result that for many years it held an abominable stench. There was no flow from it except lazily into the Lake for pollution there, with a single occasional exception: During the Spring freshet the Desplaines overflowed into the South Branch by way of Mud Lake, sometimes, as in March, 1849, bringing disaster to the shipping crowded into the River and wrecking the bridges across it; the damage was \$80,000 in that year.

As there was no decent water in the town until 1854, two years after the city had taken over the waterworks, as there was no possible sewage system until the South Side down town was raised from eight to fourteen feet above its natural level in 1856-1858, so was there in 1850 no protection worthy the name against devastating fires, however willing the volunteer firemen with their hand-engines might be and however heroically they worked when called upon. There were great fires then, too, remembering the size of the place, as on October 27, 1839, with a \$75,000 loss and on July 21, 1849, when the loss was greater. The first steam fire-engine was to come in February, 1858, after a conflagration on October 19, 1857, which destroyed twenty-three lives and half a million dollars' worth of property.

### A Metropolis in the Egg

The boundary of Chicago in 1850 ran west from Lake Michigan on Center Avenue to North Clark Street, thence south to North Avenue and on this west to Wood Street. South in Wood Street

it marched straight four miles to Twenty-second Street, and on this east to the Lake again, the whole containing 9.76 square miles. Most of the population, whether for residential or business purposes as may be seen in connection with the lists of incorporators of the gas companies, was in what is now the Loop. The North Side stood high and dry and would have been preferable for settlement on many an account, but property there was held at a figure thought too high, and the people accordingly crowded into the miry ground on the South Side. In 1850 there were 30,000 people in the town; in 1855, 80,000; in 1860, 110,000; in the first named year therefore Chicago was about the size of the pleasant cities of the Fox River Valley today, somewhat larger perhaps than Elgin and rather smaller than Joliet and Aurora. With this every resemblance abruptly ends.

### **Beginning to Hatch**

The differences lie in transportation and communication, so far as the outer world is concerned; still more largely in lighting and heating and the intimacies of domestic life economically speaking. After a brief attempt at using stone, which sank into the universal mud and dropped out of sight in less than two years, five miles of oak planks were laid on the swampy streets of Chicago in 1849 and 1850. Fifty miles more of plank roads ran from town to various points more or less consequential north, south, and west. Beyond these for years was prairie mud. By 1857 plank roads, hailed as a deliverance only seven years before, had proved themselves little better than worthless, and more expensive than macadam. Yet there followed a brief attack of cobble stones, as in State and Randolph Streets, and then wooden blocks everywhere, most of which caught fire and burnt up in the fire of 1871. As a matter of course passenger, mail, and express services were contingent upon the weather, as was all freighting and travel by land to and from the city. In 1850 the first timid omnibuses began to run, and nine years later the first street-cars.

There had been a little strap-rail railroad running out to the Desplaines River opened in 1848, and on February 1, 1849, it had reached Elgin—an occasion for public celebration. It was called the Galena & Chicago Union—note the sequence of names—and is now a part of the Chicago & Northwestern system. The Michigan Southern ran its first train from the East

into Chicago on February 20, 1852; the Michigan Central on May 21 following. The Illinois Central did not get its through line here until January 1, 1857, though it began the city's first suburban service as far as Hyde Park in 1856. All other travel on land was done by stage coaches, dangerous to life and limb by reason of the outrageous roads and lack of bridges.

The Lake, while navigation was open, was the most reliable and safest means of transportation for every purpose, in spite of numerous wrecks, but it failed utterly during the colder months. The first steamboat had arrived on July 10, 1832, bringing General Winfield Scott and a contingent of the regular army to the Black Hawk War, only to be stricken down with the cholera epidemic then raging, with a resultant quarantine in what is now Riverside. In 1850 there were several steamboat lines in more or less regular operation, but an arrival was still important enough to be heralded by a display of no less than six flags flown in the harbor, when no small share of the populace honored it with their attendance in quite the spirit of those one sees at way stations from an express train. As in antiquity, water carriage held supremacy, buttressed by the opening of the Illinois and Michigan Canal in 1849, after thirteen years of digging more or less desultory, preceded by twenty years of discussion and financing more or less futile.

### **Facilities and Lack of Them**

Postal facilities were of course dependent upon mail carriers, stage coaches, and the state of the post-roads, mere paths in the wilderness. In 1850 there were no letter boxes, no deliveries at home or office, no sub-stations. If one wished to mail a letter one went to the postoffice at No. 50 Clark Street near the Sherman House. If one wished to get a letter the same travel was necessary after waiting an hour and a half for distribution after the irregular mail came in. A written order was required to get mail for another. A messenger or a visit in person was necessary for any speedy communication in town. Nearly thirty years were to pass before a telephone could be used.

The first electric telegraph message was received on January 15, 1848. It came from Milwaukee, and it is worth noting that, like the railroads, the first communication was not with the

East. It was the April 6 following that the first dispatch arrived from Detroit and the Atlantic seaboard. And this was the beginning of the use of electricity for any practical purpose, telephones, dynamos, lights, trolley cars, power transmission, annunciators, elevators, and the rest being undreamt of. Yet these today are no longer luxuries nor conveniences, but a part of every-day civilization, along with mail boxes, postmen, special delivery letters, and telegrams reported by telephone or written on a typewriter.

### **Public Buildings**

The first public building of the municipality, as has been noted, was opened on January 1, 1848. In 1842 the square on which now stands the city hall and county building was in such a state of shameful neglect that public-spirited citizens of their own motion abated the nuisance, clearing the ground, planting trees, and building a fence to prevent its further use as a dumping ground for rubbish; the newspapers of the day then found fault with them for not thoroughly whitewashing the fence built by their own money and exertions.

In December, 1850, the agitation for an adequate public building to house both the city and county governmental authorities began. After an active dispute between the two was settled the cornerstone of the first monumental structure in town was laid on September 1, 1851. It was, as originally designed and finished, of admirable dimensions and much beauty of design, such as could be worthily reproduced today as a memorial. Later, alas, another story, a new cupola, and two discordant wings were added and occupied in 1870, in time to be destroyed in the Great Fire and thus a material but not an esthetic loss.

### **Heating and Lighting**

With gas in 1850 came the first of the scientific inventions and discoveries which now enabled civilized men to make a single movement of the hand and thereby obtain light, heat, power, speech at a distance, rapid transportation, vertically or horizontally, a ringing bell or other signal, and a hundred other conveniences grown to necessities whose very commonness causes them to be taken for granted. If in that distant day heat

was desired wood was brought from a distance upon oral or written order, paper and kindling had in readiness, a fire laid on a hearth or in a stove, a match used to light it and then gradual warmth. When out—and out it went without constant attention—there were ashes to be disposed and more supplies eventually laid in, adding to the trouble, expense, and dirt of the moment. When coal came into general use, the case was little, if any better.

Candles then afforded the easiest—and dimmest—form of interior illumination, and these, for the amount of light given out, were also the most expensive. Otherwise a lamp had to be bought with its chimney, wick, and lighting fluid, and constantly tended thereafter to keep it useful. Whale oil with its disagreeable odor was in demand and the alternative was camphene, which is turpentine from which its resins have been distilled, demanding a strong draft to keep its flame from smoking. With kerosene or coal oil ten years later the danger of explosion was added. Lamps were an improvement upon anything that had gone before, but they again set a burden of trouble and expense upon the shoulders of their users.

### **Engines and Elevators**

There were then no engines which could be set going by a movement of the fingers. There was no refrigeration by which, a valve once turned and a match applied, the need of further thought of ice was gone for months. Nor was there any apparatus on earth by which water might be instantly heated for washing or bathing, or a house warmed throughout a Chicago winter without defilement of the rooms within or the atmosphere without by soot and other dirt.

There were few elevators or lifts in Chicago before the Civil War, and these were slow, hesitant, and productive of accident with the steam engines of that day. In 1861 they were still so unusual that the new Sherman House, opened that June, advertised that "A perpendicular railroad connects floor with floor, rendering passage by the stairs unnecessary."

To ring a bell in that day meant giving a hard pull at a handle or cord which tensed a wire and gave an eventual signal elsewhere when it was in order, and it was frequently out of order;

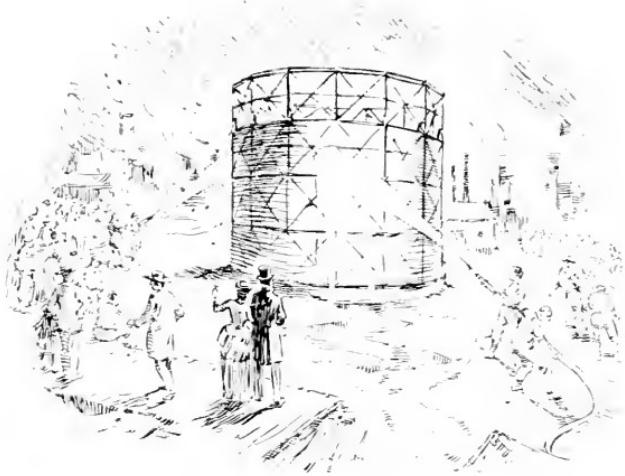
annunciators of any other kind were unknown. It was thirty years before an electric spark was used for lighting gas, and in the streets the lamplighter made his slow progress with his torch at twilight, and another in the morning to extinguish the flame so lighted. One has not to be a grandparent to remember this.

It is true that Chicago's atmosphere was not so much of a nuisance in that elder day, and trees lined many a downtown street and flourished in the Court House Square; but the growing use of gas for heating everywhere and for every purpose contains the only effective promise for doing away with the smoke nuisance as with a thousand other bothers, cares, and worries, such as infested the days and nights of seventy-five years ago.

### Formation of Civic Pride

Yet even then Chicago had shown and was showing what was in her. Disease, mire, and flame were alike powerless against the spirit of her people. It is hardly enough to say of them that difficulties seemed to exist chiefly that they might be triumphed over. The channels in which their early endeavors were being trained enabled them to surmount even greater calamities and catastrophes later. The civic pride which pulled her out of a noxious morass and rebuilt her after almost total destruction by fire is still the fountain from which flows the successful effort — gigantic almost to the point of incredibility — to make fully effective every dream of the Chicago Plan Commission.

And in this growth and development, sharing the city's victories and defeats, its weakness and its strength, the local gas companies, united at last under a single management, have had no insignificant share.



## CHAPTER III

# Division

On February 12, 1855, Governor Joel A. Matteson signed the bill creating The Peoples Gas Light and Coke Company, the only survivor now of many similar efforts at competition. Could the old monopoly have been preserved and adequately supervised by governmental authority, and could the unsoundness of competition in public utility service have been recognized, much time, effort and money might have been saved the city, its people and the gas companies themselves. It was more than half a century before the lesson was finally learned, and then only in the difficult and expensive school of experience.

It will be noted that by one of those curious and meaningless coincidences with which human life abounds the new company was six years to a day younger than its predecessor, again involving Abraham Lincoln's birthday. By this time the great liberator was forty-six years old, and he was now fully embarked on the political career which was to make him President of the United States. He had been elected to the Illinois legislature a few months before, and was already its leader, as the only member of it able and willing to oppose the powerful Stephen A. Douglas with any chance of success.

The incorporators of the new company, like those of its forerunner, were well known men in town, as follows: L. C. Paine Freer, attorney and master in chancery at No. 51 South Clark Street; Matthew Laflin, already prosperous, with his office at No. 49 South Water Street and his residence at No. 1 Washington Street; Amos G. Throop, from whom Throop Street takes its name, a real estate broker at No. 49 South Sangamon Street, then an alderman from the Fifth Ward; David A. Gage, then of the Tremont House and later of the Sherman and Grand Pacific, with a spectacular career as City Treasurer ahead of him; John S. Wallace, a dealer in lumber living at State Street and Ridgely Place; George W. Snow, also a lumber dealer, but described in an early directory simply as "colonel," with his house at No. 74 Jackson Street; Robert H. Foss, another dealer in lumber with his yard at Monroe and Canal Streets and his residence at Monroe and Throop; and Henry B. Bay, manufacturer of dredging and excavating machinery at Nos. 61 and 63 Canal Street.

### New Company Starts Slowly

As in the former group, it is instructive to see how many leading men were concerned with the material upbuilding of the city, which had grown from 30,000 in 1850 to 80,000 in 1855. Small wonder attention was paid to real estate and its improvements in the face of such demand.

To these men and their associates, with perpetual succession, was given the right to hold all real property up to \$100,000 in value necessary for the purposes of making and selling gas in Chicago on and after February 12, 1859, and sooner if the earlier company should consent. The capital stock of the corporation was not to exceed \$500,000, and it was named as an "express provision" that gas was to be furnished the city at not more than \$2 a thousand cubic feet, and not more than \$2.50 to its people. This appears to be the first exercised control of corporation rates of public utilities by the general assembly; and not a particularly fortunate one in the light of what was to follow within very few years.

The year of incorporation was prosperous enough, to be sure, but the panic of 1857 was already on its way, with the threat of

secession in the air and civil war just below the horizon. Men who had ready money were using it to maintain their business credit and not for subscription to any speculative enterprise, such as a new gas company must be until the prohibitive monopoly expired by its terms. Accordingly, one by one nearly all the original subscribers faded from the scene, and it was more than three years before its first meeting to incorporate was duly held.

This was on October 11, 1858, when Robert H. Foss, an original subscriber, was chosen President and Henry W. Zimmerman Secretary. Foss was also a Director, and his colleagues on the Board were Amos G. Throop, Sextus N. Wilcox, of Wilcox & Lyon, a lumber dealer living at No. 143 South Peoria Street, Joshua L. Marsh, an attorney with several kinsmen in the lumber business, and Philo D. Mickles of the eastern house of Mickles, Dickson & Mickles, contractors, who was expected to do for the new concern what the Lees of Philadelphia had done for the older one. The meeting was held in the law offices of Marsh & King at No. 76 South Dearborn Street, and the junior in this firm was John Lyle King, a notable figure in those days.

### **Further Difficulties**

The intervening time had not been wholly idle. On August 30, 1858, the city council passed an ordinance empowering the Peoples Company to lay mains under strict supervision and only after consultation with the mayor or city superintendent of works and further express permission from the council itself with still another proviso that for any pipes laid during the duration of the Chicago Company's monopoly that Company's permission should first be obtained. This was something, but it did not do much to help the sale of the new company's stock. But land was bought for the present station at Twenty-second Street and Racine Avenue and work started on it for a manufacturing plant and gas holder, leaving it in the oldest of the present Company's works. In December, President Foss was also elected Treasurer. April 12, 1859, a contract was made with the city for street lighting, and a few days later Artemas Carter, a lumber commission merchant with yards at South Water near Lake and at Stewart and Lumber Streets, living at No. 175 South Jefferson Street, and Hugh Maher, still another lumber-

man, were elected Directors. The by-laws having fixed the number in the Board at five, this action was rescinded later.

The difficulties in raising money increased rather than diminished. At the close of 1859 the People's Company attempted to raise \$50,000 in New York to complete the works. A few weeks later the interest of seven per cent proposed for the loan was raised to "not exceeding ten per cent," and in July, 1861, the principal sum sought was raised to \$100,000, after both Mickles, Dickson & Mickles and the Trenton Locomotive & Machinery Contracting Company had failed to complete the work.

### Cutting the Knots

During the interval a new force projected itself into the local situation in the person of Albert Merritt Billings. He was a shrewd Vermonter who had made a small fortune in a factory for making yeast which he had established in Claremont, N. H. This small place was also the headquarters of the American Gas Light Company, which owned a patent for purifying gas with water in which he acquired an interest. In 1859 he came to Chicago and sold the right to use the purifying process to the Peoples Company, and was obliged to take notes at six and nine months in payment. This led him to a close examination of the state of the Peoples Company's affairs and to an investment in it.

On February 26, 1861, Billings was elected a director. On May 22 next it was officially recorded that after most diligent efforts the Company had not been able to make any disposition of securities that would allow it to complete its manufacturing plant. The next day a contract was made with Cornelius K. Garrison, in which Billings had a share, for building the gas works. But the Company had to make a second mortgage on all its property for \$240,000 at ten per cent on June 17, and for further security the entire concern was leased to Garrison and Billings for ninety-nine years, the mortgage being only a part payment.

On July 23 the first designation of streets in which mains were to be laid was made to the Board of Public Works, and in September Garrison was authorized to buy all the pipe he needed and it was left to his discretion whether or not he should use any

part of it for crossing the River or its branches. On June 1, 1862, the Peoples Company was thus enabled to begin the manufacture and distribution of gas.

Billings's connection with Garrison went back to 1859, when the latter had newly come to New York from San Francisco, where he had built up a fortune. Both men were looking for business chances, both were versatile and of varied experience, and each recognized in the other a kindred spirit. So it was Pacific Coast and Yankee capital brought by way of the Atlantic seaboard which finally enabled the Peoples Gas Company to help illuminate Chicago in the Middle West. And it was Billings, with the aid of a Board of Directors long identified with the West Side, as he himself became in 1864 and so remained, who conceived and put into practice the idea of dividing the city area between his own and the older corporation. Threatened competition with cheaper gas was potent in procuring an agreement from the Chicago Company to confine its business to the North and South Sides, as the discretion reposed in Garrison about entering that territory shows. On April 23, 1862, the Chicago Company sold to the Peoples the thirteen miles of mains it had laid and owned on the west side of the River, and it never actually entered that district or attempted to do so until 1886.

### **Amending the Charter**

On February 7, 1865, a private law was enacted by the legislature of the State. By this the restriction on the amount of real estate the Company might own was removed; the limit of the capital stock was raised to \$500,000 with the right to increase it from time to time at the pleasure of the corporation; the limitation of the price to be paid for gas by the city and its people was stricken out and in its stead the city was empowered to regulate prices but only after ten years had expired and only then with the reservation that the price should not be reduced below \$3 a thousand cubic feet; and, finally, the Company was empowered to borrow money and to lease or mortgage any of its properties or franchises for that purpose. On October 26, 1865, Billings was elected the President of the Company, an office he was to hold until succeeded by his son in

1888. Artemas Carter, who had been chosen President on May 25, 1861, was Billings's predecessor.

The Civil War with the depreciation of currency ensuing upon it greatly increased the price of all materials used in the making and distributing of gas; coal went to \$13 a ton, for example. The marching away of a million men led to profound disturbances in the world of work as well, with consequent increases in labor costs. In the taxation measures necessary for financing the war was included an impost of 25 cents a thousand feet for illuminating gas, to be accounted for and paid monthly. September 1, 1862, the war tax was added to all gas bills, public and private. This order was rescinded on September 17, and enforced again on April 4, 1864, there to remain until September 1, 1871, when it was abolished by the government. On July 25, 1864, the price of gas was raised to \$3 a thousand feet, and on May 1, 1865, to \$4.25, including the war tax. Even then there was an occasional month when the cost of manufacture exceeded the price received. On December 22, 1865, lots were bought on the



Scene at Chicago Fire, 1871—reproduced by courtesy of  
Chicago Historical Society

north branch of the River; on July 17, 1867, a new station was ordered built thereon; and on March 6, 1871, a thirty-inch main across the River at Dearborn Street to the new plant was put in the way of construction.

### **Prosperity and Calamity**

The Chicago Company, until the Great Fire of 1871, was fortunate in having no history. By that year it had 135 miles of mains, and the demand for gas increased so rapidly that it began spending \$300,000 on the works at Crosby and Hobbie Streets, which are still in operation and known as the North Station. The annual consumption of coal had gone to 72,000 tons. On September 6, 1869, land was bought at Eleanor and Loomis Streets on the South Side for works which were built the next year and are now known as the South Station. In February, 1870, a discount of 50 cents per thousand cubic feet was made to private persons who paid their bills before the 12th of the month, and for the first time special rates were authorized to large consumers.

The Peoples Company also showed a steady growth, but in the effort to clear away its initial indebtedness, it paid no dividends until 1874. On November 30, 1868, its credit had reached the point where it was able to market \$750,000 in twenty-year bonds at seven per cent, using the money to pay and cancel the original first and second mortgages.

Then, beginning about 9 o'clock on Sunday evening, October 9, 1871, such a fire devastated Chicago as history had not previously recorded. Beginning on the West Side it spread north and east with hastening ferocity, scorching out the business district down town, all of it, and eliminating the North Side, burning over 1688 acres, destroying a third of all the real and personal property in the town valued at \$186,000,000, including 18,000 buildings of every sort from palaces to hovels, which had housed 100,000 souls, and doing it in about twenty-seven hours. Summing up, it swept over more than an acre a minute, on an average, with a loss of \$100,000 every eight minutes. For thousands it seemed to spell immediate and utter ruin.

### **Fire and Gas**

The flames started in De Koven Street, a little before 9 o'clock Sunday night. At 1 o'clock Monday afternoon The

Chicago Journal, its offices and printing plant gone, managed to get into the remaining streets the first printed account of the disaster, having secured a press at No. 15 Canal Street. Its account reads in part as follows: "At about 10 o'clock last night the sheet of flames licked across the River in the neighborhood of Jackson Street, first igniting a small wooden building, which communicated the fire to the Armory, and soon to the South Side Gas Works, the immense gasometer exploding with a fearful detonation, heard all over the city."

There is mention in the countless other stories of the Fire written afterward of the explosions of various substances, but no other mentions that of gas though the burning of the station receives due notice. For example, James W. Sheahan and George P. Upton, both of The Chicago Tribune, say in their carefully written book: "Right and left the flames spread as fast as a man could walk, and soon the gas works and huge piles of coal in the yards took fire, and a red glare shone all over the doomed city." William S. Walker, another trained observer and writer, says: "At nearly the same time (it was actually about 12:30 Monday morning), the tar works belonging to the South Division gas manufactory, situated on Adams Street near the Armory, were ignited. \*\*\* In less than five minutes a square of buildings was in flames."

### **What Actually Happened**

The Journal's report merely reflects the popular belief, without foundation in fact, that a holder filled with gas can explode. Before gas can explode, it is absolutely necessary that it shall be mixed with air to provide the elements for detonation; otherwise the gas will burn in quantity as steadily as in a chandelier or stove. What happened at the old works on that dreadful night was what will happen whenever a similar emergency arises: the man-holes in the holder were opened wide as soon as the doom of the plant was assured by the onrushing flames and, as is wholly probable in this case, without igniting. Had the gas chanced to take fire while it was thus pouring forth it would have burnt with a roar and much smoke, but with nothing approaching a tremendous explosion. As a matter of fact, the Adams Street holder was standing, unexploded, on its original

site until February, 1879, when it was sold to A. C. Clark for \$3,000.

Another tale, which excludes the possibility of explosion, was often repeated at the time and may be found in the histories, and attempts to account for the apparent burning of buildings from within rather than from any cause without. It states that the gas from the holder in Adams Street was turned into the sewers and rising thence into the structures along the line of march of the flames caused the spread of the conflagration and with greater rapidity. Apart from the impossibility of such a diversion, since there is no connection between the mains leading from the holder to the sewers nor could gas be forced from one to the other without much pressure, this story errs on the other side. Gas introduced into any building in such a manner would of necessity be mixed with air, with the result that every such building would not merely have ignited but would have blown up—with a fearful detonation. None did.

### At the North Station

By much presence of mind and the hardest sort of hard work long continued, the North Station, bounded by Hawthorne Avenue and Haines, Hobbie, and Crosby Streets, was saved from the general immolation of the North Side; most fortunately so, for without this new plant and the new main at Dearborn Street the North and South Sides would have been left without gas. As the fire was seen approaching, the station pumps, taking their water from the inexhaustible supply in the north branch regardless of the early destruction of the city water works, were set to work and manned. Everything inflammable was drenched with water in steady streams, and particularly the huge coal shed containing thousands of tons of soft coal in a wooden building 200 feet long, 100 feet broad, and 40 feet in height. Voluntary recruits from the burnt station at Adams Street were welcomed as reinforcements, and every precaution was taken during the hours when every building north and south and east was attacked and conquered.

These precautions probably would not have saved the North Station without the help had from the highly eccentric course of the fire itself, due in good part to the effect of its own intense heat in turning the heavy wind from the prairies into whirls

and eddies. Along the north branch both above and below North Station, the billowing flames surged and leaped. But from the junction of the north branch with the river north nearly to Ohio Street, and again opposite Goose Island and west of Crosby Street, there was no fire though the quarter of a mile of buildings between these two areas was swept over and every house therein destroyed.

The Twenty-second Street works of the Peoples Company were of course untouched. But there is no record of any gas being supplied from this source to the North and South Sides, nor was there any tunnel across the River available for that purpose. The demand for gas was greatly decreased, of course, by the loss of shops, offices, and residences, 17,000 in number in these two divisions, and the North Station, newly built and working at capacity, its connecting mains through town and under the River unharmed, sufficed to supply the houses still standing as soon as the leakage could be stopped amidst the ruins of the burnt district.

### Improvements and Extensions

A week after the fatal Monday, on October 17, 1871, Watkins was elected a Director of the Chicago Company, new offices were occupied in place of those destroyed at No. 76 Dearborn Street, and other steps taken to repair and mitigate the damages suffered. Before the end of the year it was decided not to rebuild on the old site in Adams Street but to rush the work on the South Station. Early the next year the sale of the property there



Fire Engine used in Chicago Fire—Courtesy of Chicago Historical Society

began. On January 13, 1873, Elias T. Watkins was elected President of the Company, Judge Hugh T. Dickey retiring after more than twenty-two years of service in that capacity.

The new station at Eleanor and Loomis Streets began operating on November 15, 1874. Work was begun at another station at Thirty-first and Halsted Streets to supply gas to the rapidly growing district to the southwest. An additional \$300,000 was ordered expended on the North Station, doubling its capacity for production and distribution. Five miles of mains were laid in 1872, eight in 1873, and soon, until in 1881 the Chicago Company had more than 200 miles of supply pipes in use and of sizes increasingly large. The Peoples Company, also showing a steady increase in the volume of its business, in 1881 completed its works at Division Street and Elston Avenue, still in operation. It may here be mentioned that the dividends paid by the younger Company in 1874, amounting during the year to three per cent, were the only dividends paid while A. M. Billings was in authority.

### **Hyde Park and Pullman**

There were other manufacturers of gas soon in the field, and one of the humors of the situation was the purchase in 1879 of the private plant that the Tremont House had been attempting to run. These other gas companies were situated at the time of their beginnings outside of the city limits, though the areas they served were all included within Chicago in the general sweep of June 29, 1889, when the western metropolis swallowed all its neighbors in readiness for the World's Columbian Exposition of 1892 and 1893.

The first of these was the Hyde Park Gas Company, which was incorporated May 26, 1871, under a general statute for the formation of manufacturing, mining, and other companies. Its term was fixed at fifty years, and the village of Hyde Park empowered the Company to build a plant and lay its mains north of the center line of Sixty-seventh Street, with a clause providing for the purchase of these by the village.

George M. Pullman included gas works in the Pullman Company's plans for its manufacturing suburb at Pullman in 1880 and they were operated until the Supreme Court decided that was beyond the powers accorded in the Company's charter. The entire

equipment was acquired by the Peoples Company, on September 1, 1899, usable parts were removed, and the manufacturing plant dismantled. A similar fate, so far as removal and dismantling are concerned, eventually overtook the plant of the Hyde Park Company.

### Lake and Lake View

The Lake Gas Company was incorporated November 2, 1881, under the general incorporation law of 1872. Its business was confined to the town of Lake under an ordinance to the Northwestern Gas Works Company, which was assigned to the Lake Company.

Here may be included the Suburban Gas Company, formed on September 30, 1884, under the general law, to lay mains and supply gas in the city of Lake View. This concern was a subsidiary of the Chicago Gas Light and Coke Company, whose charter limited its direct operations to the city of Chicago. The Suburban bought its gas from the Chicago Company and distributed it through its own mains, having no manufacturing facilities. After annexation to Chicago in 1889 it sold its property to the Chicago Company for \$600,000.

With the passing of the year 1881 the period of divided areas without competition also passes, to be followed by sixteen years of intense competition before the need for consolidation became a necessity as apparent as it was absolute if justice was to prevail, whether to stockholder, bondholder, consumer, or municipality.



## CHAPTER IV

# Multiplication

Active competition in manufacturing and selling gas in Chicago was ushered in by the organization of the Consumers Gas Fuel and Light Company on December 30, 1881, under the general incorporation act of 1872. Its incorporators were well known figures in the city's mercantile and political life, including James W. Brockway, Allen C. Calkins, a successful lumberman, George H. Harlow, Marcus A. Farwell, a wholesale grocer and long the president of the Oakwoods Cemetery Association, and the Hon. Richard S. Tuthill, a good lawyer and admirable judge for many years in the Circuit Court.

On April 29, 1882, the Company was granted authority by the city council to lay gas mains in the streets of Chicago—anywhere in the city. At this time the Chicago Gas Light and Coke Company was confining its operations to the North and South sides and the Peoples Company to the West side. The Consumers Company bound itself not to charge more than \$1.75 a thousand feet for its product, with a rebate of 25 cents a thousand to customers using more than 100,000 cubic feet a year. Combination with any other company concerning the price of gas or transfer of any of its rights to another concern was forbidden.

The Consumers Company proceeded to the erection of a plant at Twenty-fourth Place and Canal Street, to lay mains, and to compete actively for business with the older companies. The Chicago Company reduced the price of gas, which had been \$1.75 since May 3, 1880, to \$1.25 a thousand feet in the Fall of 1883, and, after the Consumers had entered the West Side through a tunnel under the river at Taylor Street, the Peoples Company reduced its price to \$1.50 to meet the new competition. But the Consumers Gas Fuel and Light Company found its undertaking too heavy. To finance it, a trust deed for \$2,000,000 was given to Dumont Clarke and bonds issued to that amount. This was foreclosed in the United States Circuit Court on July 15, 1886, and the property bought in by John T. Lester, who continued the business.

### From Light to Heat

Thereupon the Consumers Gas Company was organized on August 9, 1886, with a capital stock of \$5,000,000 which was subscribed for by a number of prominent men, the largest share being that of Frederick P. Addicks, secretary and treasurer of the earlier concern. The Directors chosen were Columbus R. Cummings, William S. Rayburn, Sidney A. Kent, W. H. Ryder, Charles T. Yerkes, E. Washburn, J. Edward Addicks, John B. Cohrs, and C. E. Judson, the last named being President, with C. F. Bryant the Secretary. The Consumers Gas Company then bought the Consumers Gas Fuel and Light Company property held by John T. Lester under foreclosure. The charter powers of the new company were broad; they included the right to sell gas for illuminating, heating, and other purposes, and to buy or lease gas works or gas companies in Chicago or elsewhere and to improve, enlarge and extend, maintain and operate or demise the same. *The mention of gas for "heating" here first finds place in local gas history.* Among other things the new Company proceeded to do was to sell gas to its former competitors.

The use of the word "Fuel" in the title of the first Consumers Company and thereafter by others in connection with the making of gas for "heating" is significant at this time as showing the trend of the gas business away from the sole purpose of providing light, which has been stressed almost exclusively up to this time. In the coming shift the discovery and commercial use of natural

gas, especially in the neighboring State of Indiana, was to have an important part, as will presently be manifest. But the conclusive factor was the growth of electric lighting, due so largely to the inventive and organizing genius of Thomas A. Edison.

In October, 1878, the engineer of the Chicago Gas Light & Coke Company newly returned from visiting the Universal Exposition in Paris, mentioned electric lighting for the first time and then rather as an experiment than as an accomplished fact. But it was destined to remove gas from the field of illumination to a degree fairly inconceivable at that time, and send it on its way to supplying a cheap, clean, and entirely manageable fuel, at first for domestic uses in cooking wholly subordinated to lighting, and then more and more to domestic heating and afterward, following the manufacturing use of natural gas in the middle eighties, to every purpose for which heat under complete control can be utilized in manufacturing and industry.

### **Emphasizing A Turning Point**

One unexpected result of the entrance of competition in the gas business in Chicago affords a rather curious little prophecy of this. In the strenuous efforts of competing companies to retain or obtain customers, various novel inducements were held forth and among these were hot plates and nursery burners, given free to persuade patronage rather than to increase the consumption of gas. There were simple and inexpensive devices for cooking at home through the agency of a rubber tube attached to the nearest gas burner, yet they were the foreshadowing of the highly efficient and elaborate gas ranges of today, white enameled and nickel plated, and the pride of many a house-keeper in parts of the city supposed to be populated by merely poor and honest people. Only some dozen of years comes between the introduction of such plates and burners and the reported sale by the Peoples Company up to December 31, 1898, of a total of 20,343 gas stoves, a number now exceeded annually.

This is an opportune place, although out of line chronologically, for citing certain fundamental changes which have come to the gas business, as seen both from the inside and the outside, in direct descent from that early employment of gas for heat instead of light, as in the hot plate and the nursery burner.

The gas stove literally forced itself upon the attention of gas companies. By 1898, as reflected in the annual report of the Peoples Company for that year, gas stoves had become so saleable and the effect of their use upon company income had become so obvious that pushing the sale of them soon took rank as a major gas company activity. That was a turning point in the gas business in Chicago.

### **Establishing Gas as Fuel**

The proved practicability of gas as a fuel opened up possibilities never dreamed of before and even then only partially sensed. As illustrating the latent market, it is still told how one ingenious salesman mounted a gas stove on a one-horse wagon, drove out into the foreign language neighborhoods, ran a rubber hose from the stove to a street lamp and gave open air demonstrations that produced orders for gas stoves faster than they could be filled.

Interest in seeing that the stoves sold were dependable for continuous service naturally followed. From this it was but a step to specifications that would promote reliable stove-building and to testing laboratories for proving the results.

Aggressive campaigning for new business by developing new uses for gas and new users of it, commercially and industrially as well as domestically, which is now a major item in gas company practice, really dates from that 1898-1900 period. It marked the beginning of a transformation whereby the gas business eventually became of less concern as a feature of the stock market and of greater concern as a manufacturing and merchandising and community-serving industry. But before this transformation could be completed or the progress of it even clearly seen, the gas business in Chicago had to go through a long period of travail compounded of illogical competition, clash of financial interests, political huckstering, re-actionary legislation and samples of practically every known form of corporate affliction.

### **Moves and Countermoves**

The Equitable Gas Light and Fuel Company was incorporated August 3, 1885, for ninety-nine years with a capital stock of \$3,000,000 to make "gases of all kinds" and dispense the same in Chicago and vicinity, with a restrictive clause against combi-

nation with any other concern. Its incorporators and officers were also interested in the Peoples Gas Light and Coke Company.

On November 16, 1885, the Illinois Light, Heat and Power Company was organized by forces friendly to the Peoples Company. This Company never asked permission to lay mains; its business was solely making and selling gas. It took over the shop and station at Division Street and Elston Avenues.

This Division Street plant is historically important as the first one in Chicago designed and built for the manufacture of carbureted water gas exclusively—that is, without any coal gas benches—although water gas had been made here earlier.

### Water Gas Arrives

Professor Thaddeus S. C. Lowe obtained patents in 1872 on a process (more properly, on the apparatus essential to the process) for making carbureted water gas. This process is, with slight modifications, still in use. The product is "carbureted water gas," commonly called "water gas," because a hydrogen gas is made by passing steam through incandescent beds of coke or coal and is then "carbureted" or enriched by adding other elements derived from oil.

This invention revolutionized gas making. It gave gas lighting a new lease of life, in competition with the electric lighting of those days, because carbureted water gas made a better light than coal gas. The naphtha and crude oil used in making it were then abundant and cheap and there were little or no by-products, which, in coal gas making, were becoming an embarrassment for lack of a profitable market for them. The labor required to run a water gas plant was only a fraction of that required for a coal gas plant.

Some water gas appears to have been made at the Twenty-second Street works of the Peoples Gas Light & Coke Company about 1879 or 1880, but the Division Street plant, begun in 1882 and put into operation in 1883, was as stated the first exclusively water gas plant. Before 1890 all of the gas works in Chicago were making water gas and the old coal gas process had been entirely abandoned.

On February 16, 1883, Theobald Forstall was employed as superintendent and general manager of the Chicago Gas Light

& Coke Company, becoming also a Vice-President and Director. His reports for the year 1885 and 1886 indicate that the company's plant capacity and facilities had become inadequate. Its maximum daily production has been forced to 5,300,000 cubic feet of gas while the purifiers and holders had a capacity for only 4,000,000. A more aggressive policy began to show results in better manufacture and better service by 1886. No doubt this was stimulated by the competition of the Consumers Company which was still active. From the beginning of the race in 1883 the Chicago Company recorded a loss of 7867 customers of whom 4935 had been recovered in 1886, while the net gain from new business was 9627 over all loss.

### Competition and Compromise

On March 12, 1887, Elias T. Watkins resigned as President and Forstall was elected in his place. At the same time a complete change was effected in the Board of Directors, reflecting the entrance of interests which had been concerned in promoting the Consumers Company. Men who had been identified with the corporation almost from its beginning gave place to Columbus R. Cummings, Jacob Rehm, Sidney A. Kent, William L. Elkins, P. A. B. Widener, and others, the two last named being residents of Philadelphia.

Just before, in May 1886, the spirit of competition invaded the Chicago Company's seemingly assured conservatism and it secured permission to lay mains under the river for the invasion of the People's preserves on the West Side. In July the invader was halted by an injunction. Eventually the courts held that the agreement between the two old companies not to compete was void, contrary to public policy, and so on. But competition was not a part of the policy of the Chicago company's new directorate, nor of the Peoples Company. For a radical change in government had also taken place there.

In June, 1882, C. K. G. Billings, the younger son of Albert M., was graduated with honors from Racine College and forthwith installed by his father as superintendent of the Peoples Company. He was not yet of age, but his early and continuing interest in its affairs warranted his employment. In April, 1884, he was elected Vice-President and in 1887 made a

Director. His father's policy of paying no dividends worth mentioning (though it had given the company a very strong position), and of meeting competition by radical reductions in gas rates, made little appeal to him. He therefore allied himself with the eastern interests now in control of the Chicago Company which were buying stock with a view to consolidation. A contest between father and son ensued, conducted in the best of spirit. Youth won. On April 28, 1888, A. M. Billings having resigned from the Presidency, C. K. G. Billings was chosen his successor. From 1862 to 1888 under the father and from 1888 to 1910 under the son, there was forty-eight years of Billings control.

### **Consolidation Frustrated**

The Chicago Gas Trust Company was organized under the general incorporation Act on April 7, 1887, to put the gas business in Chicago under consolidated control. At the beginning of 1887 the eight companies already particularized were functioning as such, but they were controlled by four, the Chicago, the Peoples, the Consumers, and the Equitable. The Gas Trust bought the controlling interest in these four and proceeded to handle the situation under a trust agreement. This first attempt at a general consolidation was the beginning of complicated litigation that ran on for nearly ten years. One after another the courts nullified every expedient that lawyers could devise under then existing statutes for effecting consolidation.

Back of all this litigation was the implied belief that consolidation was essentially an evil. The whole question, solely one of economics and therefore of demonstrable proof, was thrown into partisan politics, not always scrupulous before, then or since, which took it out abruptly from the realm of science and reason into the misty borderlands of prejudice and emotion. Just as the old competition had resulted and was resulting at the moment in duplicated and wasteful efforts to be borne ultimately by the community, just so the emotional and spasmodic attempts to cheapen the price of gas without a careful weighing of every factor entering into its manufacture, one of the most important and least regarded of these being the maintenance of the financial credit of the Companies, resulted in a wild war of loose words, needless indignation, and wasted legal proceedings, again at the expense of the community.

Going back in this complicated narrative, other companies had entered the field in the meantime in addition to those already mentioned, and these must be taken into due account in the final outcome.

### More Competition

On October 30, 1885, came the Calumet Gas Company which operated in the village of Hyde Park and chiefly in the region near the Calumet River with a plant at Ninety-sixth Street and Houston Avenue, still in use.

Another Hyde Park concern, the Mutual Fuel Gas Company, was incorporated on April 20, 1889. Its plant at Seventy-third Street and Langley Avenue made an almost odorless water gas that lent itself to accidents and the process, otherwise admirable, had to be changed. It also became a distributor of the product of the Universal Gas Company, incorporated July 16, 1894. The Universal's plant at Pitney Court and Thirty-first Street (still in use) was at the time reputed to be the largest gas factory in the history of the industry, having a capacity of 12,000,000 cubic feet a day. It remained primarily a manufacturing concern, selling its gas chiefly to the Mutual Fuel Company but eventually to the older corporations.

For the more complete entanglement of Chicago's gas affairs the Chicago Economic Fuel Gas Company was launched on July 8, 1890, and authorized at first to distribute only fuel gas, a limitation later removed by the city council. Pursuant to its original fuel gas intention, it utilized the Indiana Natural Gas and Oil Company to bring natural gas into the city. Ensued one of the most destructive periods of competition. The Economic Company, as nearly as one can come at the facts from this distance, appears to have been backed by Eastern financial interests and its chief purpose seemed to be to force "recognition" by the older and more prosperous companies. Eventually the Economic ceased to compete.

### Last of Gas Wars

The last and one of the most energetic of the competing concerns was the Ogden Gas Company, organized on February 23, 1895, and given a fifty-year franchise by the city council with the now usual provisions forbidding merger with another company,

reserving to the city the right to purchase, and so on. The company was bound to sell gas to private users at 90 cents a thousand cubic feet net, which was ten cents below the prevailing rate, and (another innovation) to pay the city annually  $3\frac{1}{2}$  per cent of its gross income. Mains were laid through a considerable district on the North Side and a plant was built at Kingsbury and Willow Streets that could make between 3,000,000 and 4,000,000 cubic feet of gas a day and is still effective for distribution.

Meanwhile the legislature had passed an act in 1897 which permitted consolidation of all gas companies in Chicago and much of the consolidating had been effected, as will appear in the next chapter, but the Ogden was still an independent, selling gas at 90 cents and extending its business. The Municipal Gas Company, organized on August 27, 1900, leased the mains of the (consolidated) Peoples Company lying in Ogden territory, bought gas of the Peoples Company, began selling it at 60 cents in competition with the Ogden's charge of 90 cents, and even went down to 40 cents. Such impracticable rate cutting could not continue long. The Municipal Company eventually dropped out and in a few months its charter was surrendered. Absorption of the Ogden Company later on ended the illogical and uneconomic era of competition in the gas business.



## CHAPTER V

# Consolidation

On June 5, 1897, Governor John R. Tanner signed "An Act in Relation to Gas Companies" which had just been passed by the general assembly of Illinois. By its provisions any gas company was authorized to sell its property and franchises at will to another gas company in the same city, and any gas company was permitted to merge and consolidate with another into a single corporation, which could be either one of the two so merging.

Under this enabling act, on August 2, 1897, the Peoples Gas Light and Coke Company took into its organization its venerable senior, the Chicago Gas Light and Coke Company, and its variously aged juniors, the Consumers Gas Company, the Illinois Light, Heat and Power Company, the Lake Gas Company, the Equitable Gas Light and Fuel Company, the Suburban Gas Company, and the Chicago Economic Fuel Gas Company. The stock of the absorbing Company was exchanged for that of the absorbed at various rates as settled by mutual agreement, and the Peoples Company assumed \$29,046,000 in bonds issued by the absorbed companies.

Although the stock of the Hyde Park Gas Company was controlled by the Consumers Company, to the rights of which the Peoples Company had now succeeded, it did not come within

the scope of this initial merger, but was finally taken over January 10, 1898. On the same day the stock of the Mutual Fuel Gas Company was retired and cancelled and itself included in the body politic of the Peoples.

On November 25, 1898, the Calumet Gas Company was taken in. On November 1, 1900, a contract was made for purchase of the Ogden Gas Company in 1945, subject to any prior right of the city to buy it. This was followed by an ineffectual attempt by the city authorities to revoke the Ogden Company's rights.

On July 12, 1906, the Peoples Company acquired the Indiana Natural Gas and Oil Company by guaranteeing its bonds and continued to receive and distribute in portions of the city natural gas from this source until 1917. The properties of the Ogden and Universal Companies were leased on January 1, 1907; six years later they were absorbed by commutation of future rentals and guarantee of their bonds.

### Taking Inventory

This final feat of ingurgitation finished and good digestion assured, the history now goes back to 1897, the year of consolidation from which the Peoples Company was henceforth to date its rounded existence as a public utility. Reporting progress at the end of that year, it had sold more than five and a quarter billion cubic feet of gas, had nearly 1,320 miles of street mains, 162,000 meters in use, and 29,000 street lamps. The saving was apparent from bringing under one management the various corporate entities that had been maintaining a separate existence to comply with judicial decisions rendered in the ten years since the unsuccessful attempt to form the Chicago Gas Trust, though anticipated in part in the meantime; in comparison with the proportionate expense of the several organizations, in 1886, for instance, the saving was strongly marked.

Survey of the ground, so often disturbed and still to be disturbed by rival concerns, showed much duplication of distributing facilities, but those could be viewed as anticipations of the rapidly growing wants of Chicago, itself growing not only in population but to an even greater degree in the use of gas, as had been the case from the beginning. The use of incandescent gas mantles (Welsbach's invention), whereby greater light was

to be had at a smaller cost, was still in course of development. The two companies taken in during the year were making money and a help rather than a hindrance. Gas was selling at \$1 a thousand cubic feet net and its cheapness encouraged its use.

### Constructive Readjustments

The officers of the consolidated Peoples Company, as elected on August 2, 1897, and re-elected for years to come were: President C. K. G. Billings; Vice-Presidents A. N. Brady, Walton Ferguson and C. K. Wooster; directors, C. K. G. Billings and F. S. Winston of Chicago and A. N. Brady, Walton Ferguson, and R. P. Flower of New York, the latter being the former governor of New York. On Mr. Billings' removal to New York George O. Knapp became president of the Company in 1901. He was succeeded by James F. Meagher in 1913, he by E. G. Cowdery in 1915, and he by Samuel Insull in 1919. It was to be many years after consolidation before the company returned to strict home rule in respect to chief officers and directorate.

The years following consolidation, for a couple of decades or more, were to be years of readjustment and constructiveness. There were to be marked changes in business methods and in relations with customers, as well as in relations with the public through governmental agencies; the business was to be largely freed eventually from the guerrilla warfare of local polities, but not without much harassment and travail for yet many years.

Prior to the consolidation of 1897, it was becoming a practice to fix the price of gas for five year periods by agreement with the city authorities, the city having no power to fix rates.

### Rate Questions Arise

In effecting consolidation in 1897 it was agreed that the price of gas should be not more than the lowest rate of any constituent company at that time which made the rate one dollar net. By 1906 the net rate had come down to 85 cents for the 1906-1911 period. In preparation for the next five-year period, the city council employed accountants and engineers to inquire into the costs of manufacturing and distributing gas, including a valuation of the company's property, an inquiry in which the company fully co-operated.

The report of the experts fixed 77 cents as the minimum that could be fairly charged at any time in the five-year period. This report was disregarded and another, not made by anyone taking part in the inquiry, was adopted, setting the price of gas at 75 cents for the first year, 70 cents for the second and third years, and 68 cents for the last two years of the five. In this the city council was acting under a state statute passed in 1905 which purported to give the city power to fix the price of gas, but the validity of which was not recognized. The company had to go to court to protect itself against this confiscatory rate schedule, and the tedious and complicated consequences came to be known as "the ten million dollar refund case."

By injunction and court order which the company obeyed, the price of gas was fixed at 80 cents net. After the litigation had been dragging some years, a customer went to court for a refund, the outcome of which was a Supreme Court decision that the legislative enactment of 1905, purporting to empower the city to fix rates, was invalid and that the city council's 75-68 cent rate schedule was therefore null and void. Meanwhile changing business conditions, a world war, state legislation, collateral litigation and politics further complicated the "ten million dollar case".

### **State Regulation Arrives**

Following the example of New York, Wisconsin (a LaFollette influence there) and other states in "progressive" legislation, the Illinois Legislature in 1913 passed a law creating a state Public Utilities Commission, since 1921 called the Illinois Commerce Commission. This body was given regulatory authority over all public utilities of the State, including of course gas companies. Plenary power to investigate, to fix just and reasonable rates, and to settle disputes arising between the utility and its patrons, was reposed in the Commission, subject only to review by the courts. The act was a serious attempt to settle economic questions through scientific inquiry rather than through politics. Not least in its provisions was that requiring public utilities at all times to promote the safety, health, comfort, and convenience of patrons, employees and public.

City authorities resisted and in some measure denied the authority of the Commission as superior to that which the city government had assumed to exercise over public utilities. Pending ultimate and uncontested fixation of the Commission's authority, the Peoples Company sought to avoid friction in this relation by trying to reach agreements with the city authorities, on all questions that were in any degree disputed, before going to the Commission for final action. The matter of changing gas standards illustrates how its experiences were not always happy ones.

### Some Difficulties Linger

Though required by ordinance to supply gas of only twenty-two candle power, the company had long been giving its customers an illuminant of twenty-four candle power, as demonstrated and noted with approval in the report to the city council in the spring of 1911. To deliver gas of so high an illuminating value in the mains much "gas oil" had to be used for "carbureting" or enriching it. Meanwhile the importance of this illuminating value in gas had been declining and had become almost negligible, and calorific or heating value had become the first consideration in fixing a standard of quality.

Electric lighting had displaced much of the use of gas for lighting. The use of gas for cooking and other heating purposes in commerce and industry, where its illuminating value was of no account, had immensely increased. Even where gas was still used for lighting, its illuminating or candle power value had become negligible because the most efficient and economical gas lighting was by means of the incandescent mantle light and this called only for the presence of heating value in the gas. A gas of little or no candle power derived from enrichment by "gas oil" made as good a light in an incandescent mantle as a high candle power gas.

Gas oil is a petroleum product. Formerly both rich and cheap, the demands of the war for gasoline, coupled with the fabulously growing use of motor cars in the United States, led to extracting from it much of its former richness and at the same time increased its price. It therefore took more oil at a higher cost to produce gas. True in 1915, it became truer in 1916. In 1915  $4\frac{1}{3}$  cents a gallon for gas oil was thought extremely high; in 1916 a poorer

oil brought  $5\frac{1}{3}$  cents. This increase of one cent meant an increased cost of nearly five cents a thousand cubic feet in making gas. In 1915 gas oil cost the company \$2,080,284.43; in 1916 the figure rose to \$3,295,751.35, an increase of \$1,215,466.92. At the same time coal and all other elements of manufacture were growing increasingly costly and were to continue so.

### New Troubles Multiply

The company sought in 1915 to take steps to mitigate the situation by approaching the city authorities for an agreement on the factors involved before going to the State Commission. It was more than two years and a half later, on June 25, 1917, that the city assented to withdraw opposition to elimination of the candle power standard, to a modernized sliding scale of rates, and to greater use of coal gas in coping with new conditions.

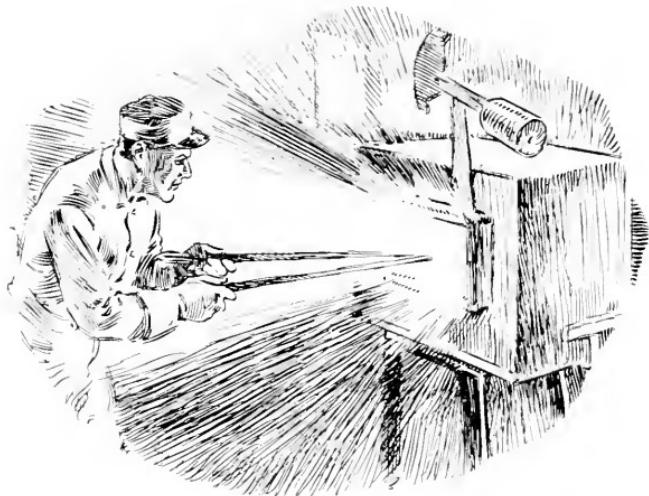
Nor was this all. On account of war time wage and labor conditions, coupled with financial pinches of which the gas oil detail was an example, efficiency in certain departments of the company became sadly impaired in 1918. Errors in monthly bills led to appeals to the Utilities Commission and to much clamorous criticism of the company. As illustrating only one phase of the financial effects, deferred payments of monthly bills rose from \$1,346,769.20 at the close of 1917 to \$2,218,233.69 in 1918, a temporary loss to the company of \$871,463.49 of which \$330,465.45 became a permanent loss in accounts written off. This heavy penalty was paid by the company for a condition that never was as bad as painted. The erroneous bills that caused all the clamor totalled only 120,000 out of 8,000,000 sent out that year, or about three in 200.

### Relief Disastrously Delayed

The company and its stockholders suffered grievously from the accumulation of the specified and collateral troubles, beginning with the city government's delay in responding to the appeal on the candle power and gas oil situation in 1915, and running on through war time conditions. Relief from the candle power standard, rate readjustments and other expedients came too late. By the time a proposed remedy could be worked through the red tape and delays of governmental bodies, the rapid changes of war time would make it ineffective.

The net earnings of the Company which had been \$3,292,467.98 in 1914, fell to \$3,228,965.59 in 1915. This "net" fell again to \$2,077,258.16 in 1916. In 1917 after bond interest was paid there was a deficit of \$365,201.35 and a greater one of \$1,366,928.54 in 1918. In 1919 there was a small surplus over operating costs and bond interest of \$65,207.46 and a surplus of \$380,752.02 in 1920, but the "net" became normal only in 1921.

On account of these heavy losses, the dividend rate, which had been eight per cent, was reduced to six per cent in May, 1916, and to four per cent in May, 1917. After August, 1917, dividends ceased until January, 1922. The credit of the company was heavily impaired and it may be said to have weathered the storm only through the good will and confidence of its bankers — or, more exactly, the confidence of the bankers in the new management that took hold of the company at the beginning of 1919.



## CHAPTER VI

# Resurrection

Samuel Insull had taken a place on the company's directorate in 1913, and become chairman of the board. During the war practically all of his time and attention had been absorbed by his service as head of the State Council of Defense of Illinois. When released from war work, he was moved by the situation of the company to assume personal responsibility for its management in all detail and in February, 1919, he was elected its President. Effects were noticeable almost immediately but considerable time had to pass before the effects became financially productive.

The company had to have rate re-adjustments or go headlong to financial ruin. It was selling its product at rates fixed before the war on a basis of pre-war prices and operating costs, and it was paying war time prices for labor, material, and everything else it bought. It was therefore operating at a positive loss, a loss that was at the rate of \$10,000 a day for a considerable period. But the clamor and public hostility stirred up by the trouble of 1918 made adequate rate readjustments hard to get. Members of the state Utilities Commission being only human, were hesitant to do even partial justice in the face of general—or what seemed to be general—public hostility. To alleviate this situa-

tion, creation of a friendlier "atmosphere" became an important part of the new management's job. It is worth mentioning that in the doing of its job, the "new management" comprised only Mr. Insull and a couple of personal assistants; otherwise the executive, sub-executive and working organization of the company was unchanged.

### Rate Adjustment Comes

In the face of the company's distress—operating at a loss under already inadequate rates—the state Commission on June 19, 1919, ordered a reduction in rates amounting to approximately four per cent. Losses continued to mount, but bettered service to customers and the creation of an all around friendlier atmosphere was coming to be felt; so a substantial rate readjustment upward was asked for on April 20, 1920, and after an exhaustive hearing was granted on June 20. Meanwhile the Commission was conducting a thorough inquiry into the value of the company's property which had been started on September 24, 1919. Throughout all previous negotiations or litigation touching rates, the value of the company's property and the amount of return it was entitled to earn on that valuation had never been established, although the company had tried hard to have this done.

The Commission's valuation inquiry was completed on December 21, 1920. It set the valuation of the company's property "used and useful" in the manufacture and distribution of gas as of January 1, 1920, at \$85,000,000. This included allowance for going value and working capital but excluded the Peoples Gas Building and other property not essential to the business of making and selling gas. The Commission also found that the company was entitled to annual net earnings equivalent to seven and one-half per cent on this valuation, or \$6,375,000 annually, subject to increase in proportion to subsequent increases in the capital investment.

### Getting A New Plant

Important operating efficiencies and economies were also effected in 1919 and subsequent years, but the best that could be done with existing plants was not enough. As far back as 1911, engineers were convinced of the desirability of re-intro-

ducing a certain amount of coal gas making, combined with water gas making, provided the out-of-date candle power standard of gas quality could be eliminated.

A site for a coal gas plant was acquired—373 acres—at Crawford Avenue and 35th Street, on the drainage Canal and construction was begun but was soon halted by delay in getting action on the candle power question, as already noted. When that obstacle had been eliminated the company was financially unable to proceed. The Koppers Company of Pittsburgh was eventually interested to finance and build for the Company a combination coal and water gas plant on the Crawford Avenue site. This was done through a subsidiary of the Koppers Company, the Chicago By-Product Coke Company.

The new plant was put into operation on October 10, 1921, and has since been added to. It is one of the largest gas plants in the world and is said to be the last word in efficiency and economy.



Michigan Ave. at Adams St. in 1871.—Site of present Gas Company's Building

A large part of the coke produced in making coal gas there is used in other gas making operations at the same plant and in the seven water gas plants of the Peoples Company, and a surplus is marketed for domestic and blast furnace use. The plant represents an investment of about \$28,000,000, exclusive of the land. Eventually it is to be the property of the Peoples Company, which has the right to take it over any time after February 1, 1926.

This plant with its connections, strategically located for mass production and economical distribution of gas, is the key to gas service planning for the future. It is designed for expansion, as necessary, to five times its present capacity. A 48-inch main running southward from it to Seventy-first Street and northward almost to the city limits is the backbone of a distribution system, with adequate holder (storage) capacity to assure an ample gas supply for the industries as well as the homes of Chicago now and in years to come. The need of reckoning with the future is emphasized by the fact that while the population of Chicago has been increased twenty-three per cent in the last ten years the consumption of gas has increased fifty-five per cent.

### Dividends Resumed

As a consequence of this regenerative work in both the tangibles and the intangibles of the business, the company was able to resume, in January, 1922, the payment of quarterly dividends to stockholders for the first time since August, 1917. The significance of this is reflected in an observation by John J. Mitchell, the veteran banker and a Director of the company, on the day the Board of Directors voted the first of resumed dividends. "This," he said, "is the most striking example of corporate resurrection that I have ever seen in all of my banking experience." Dividends have continued at the rate of five per cent per annum in 1922, six per cent in 1923, seven per cent in 1924 and eight per cent in 1925. Meanwhile satisfactory re-adjustments of salaries and wages to employees have been made and the price of gas to all customers has been reduced twice since the re-adjustment of June, 1920.

It is worthy of note that the company has finally achieved a close approach to really scientific rate making, designed to

promote greater use of gas, in quantity, for industrial and house heating purposes. The rate schedule now in effect closely follows the rate making principles that have been such a potent factor in the sensational growth of the electrical business, enabling the acquisition of a great volume of business from very large users, to the collateral advantage of all users, including the smallest ones.

### Gas and Laboratory Problems

The wholesale use of gas in manufacturing points the future development of the industry. At the present moment one-fiftieth of the customers are using nearly one-third of the total output and several of these each use weekly twice as much gas as all Chicago used in a twelvemonth seventy-five years ago, and as much as suffices the entire needs of such a city as Ottawa, Ill. The company's laboratory, which began its work with the beginning of the company, has taken on new significance in the light of these developments. There the problems of the various arts are worked out, and manufacturers are shown by demonstration the advantages of gas as a fuel for every desired purpose.

As the fuel use of gas both industrially and domestically has come to overshadow use of it for lighting, the importance of gas-burning appliance efficiency has grown. Hence the increasingly intensive attention given to making it easy for customers to buy



Michigan Avenue

appliances of assured efficiency. The first store for selling appliances that the company could stand back of was opened more than twenty years ago. There are now fourteen, besides the store at Michigan Avenue and Adams Street, all located for their convenience to centers of population, each one also housing a branch office of the company where monthly bills can be paid and all kinds of business transacted directly with the company. In the interest of efficiency, the selling of appliances and related merchandise has all been handled since 1920 by a subsidiary, the Peoples Gas Stores, Inc.

### Executive Organization Realigned

In March, 1922, a Home Service Department was inaugurated to promote more home cooking by providing free expert advice in the preparation and serving of meals. It was opened in two small rooms in the basement of the Peoples Gas Building. Within a month eager housewives were sitting on the stairs. At the present time the entire basement is given up to the department's demonstrations, five branches of the department are operating in connection with outlying stores, there is a kitchen on wheels which travels through the residence sections of the town for the same purpose, and a monthly bulletin of suitable recipes and a radio service are in use.



Chicago, 1925

In 1924 the company's executive organization was re-aligned. Samuel Insull is President and associated with him as Directors are Messrs. John J. Mitchell, James A. Patten, Stanley Field, and Martin J. Insull, all of Chicago. There are also five Vice-Presidents: John H. Eustace in charge of operations, who supervises all activities having to do with gas production and distribution; George F. Mitchell in charge of finance, who supervises the offices of the secretary and the treasurer and the purchasing, stores, claim, and traffic departments; Bernard J. Mullaney, in charge of public and industrial relations, who supervises the relations of the company with the public and with its employees, including service to customers, advertising, employment, medical service, welfare, training and education, safety, restaurant, and employees' representation; Theodore V. Purcell in charge of sales, who supervises the new business, the industrial and home service departments, and the operation of Peoples Gas Stores, Inc.; William A. Sauer, in charge of accounts, who supervises the offices of comptroller and auditor, and all the accounting, bookkeeping, auditing, and allied departments.



## CHAPTER VII

# Progression

External relations, with government, with stockholders, with the public, are set forth in much detail in the printed annual reports of the Peoples Gas Light and Coke Company, but comparatively little can be said in these about the hardly less important relations between the management with the employees. Yet in these more private matters the activities are so numerous and so pervasive that it is no exaggeration to say that nothing in the lives of those in its service is of unconcern to the Company as effecting personal efficiency, whether it is in the nature of such preventives as training and education, providing amusements and recreation for the wise use of leisure, and securing an easy justice, or such curatives as care in illness and old age for physical ills or the alleviation of worries and troubles for ills more insidious.

To begin with, it has long been the Company's policy to make all its promotions from within its own ranks, beginners in its service starting at or near the bottom with an open chance to work up. While there may be instances in which an infusion of fresh blood from without might have been advantageous in managerial positions, this is more than made up by the security felt throughout the organization, not only that the present job is safely in hand but that diligence and application are certain of their rewards, a certainty that mingles ambition with contentment and insures long periods of service with little labor turnover. It will be seen how other policies make to the same end.

### Industrial Relations

Perhaps the most important of these, since even the smallest injustices bulk large to those who suffer from them, may be seen in the Department of Industrial Relations, under the superintendency of one of the Vice-Presidents, and one of the most striking of the department's activities is found in the employees' representation plan, set in motion by order of Pres. Insull on Jan. 1, 1921, and assuring the rights of free assembly and free speech.

There are now about 320 representatives, equally divided between management and employees, who, for greater ease in handling business, are organized in twenty-one councils, meeting in fourteen groups with allied interests, and always on the Company's time. There is a fixed basis of representation; there are deputy or alternate representatives to insure an adequate attendance and all duly nominated in primaries and elected by secret ballot. These councils afford a ready and serviceable means for discussing conditions of employment, clearing up apprehensions, remedying injustices small and great as they arise, developing an American assertiveness, rendering harmless what are called on shipboard sea-lawyers, and educating in self-government and morale.

Now in its fifth year of operation, Employees' Representation is held to be of increasing value in promoting cooperation between departments, bettering relationships with the gas-consuming public, increasing an understanding of the aims of the Company, preventing disputes and ensuing dislikes, developing tolerance and open-mindedness, and in general clarifying almost every conceivable situation.

### Social Relations

There is a Peoples Gas Club open to all employees, which began in 1911 as a club for boys only. This led in the succeeding year to a series of lectures by thirty of the superintendents and managers covering nearly every phase of the Company's activities, and later in the year caused the club's privileges to be thrown open to everybody in the service. It has thus grown from a membership of thirty to more than three thousand.

Its objects, well lived up to through the years and quite past the experimental stage, are set forth as "The promotion of Good Fellowship by providing employees opportunities to get

together for purposes of Education, Entertainments, and participation in Clean Sports." It publishes The Peoples Gas Club News, with its subject matter and cartoons furnished by the members, and this has a growing interest and popularity. It is to be noted that all of its officers have earned promotion. Its activities, past or present, include a choral society, private theatricals and vaudeville, picnics, luncheons, dinners, dances, a drill corps, six competing baseball teams, basketball, field sports, and an annual Christmas party for the children of members which is an enormous success.

During the summer of 1923 the Company acquired an interest in the Lake Lawn Hotel Company, with an hotel, cottages, and camping facilities on Lake Delavan, Wisconsin, where vacations are spent at a minimum of expense to employees and their families.

### **Education and Training**

The education of foreign-born employees in the interests of Americanization began in 1919, and it has already served and is serving men and women of thirty nationalties. The Company itself has had evening classes, sending many also to the public night schools. In September, 1921, there were 456 working for the Company who had not taken the first steps toward naturalization. On April 22, 1923, there were none. The effort is continuous to the end that every employee shall be a voting citizen or on the way to becoming one at the earliest possible date.

The Library was opened in the Peoples Gas Building in 1911 and now contains 3500 volumes and many periodicals, popular and technical. It is used both for information and recreation, for reference and circulation, and is in constant demand. The librarian is in charge of the general work in training and education. There are lecture courses on the gas business economics and many other topics, classes in public speaking, and a practical course in letter writing for everybody concerned, from the 150 dictators of correspondence to the stenographers, typists, calculating machine, mimeograph, and multigraph operators, and proof readers. There are also study classes for girls, which teach home hygiene, sewing, dressmaking and millinery, first aid, and practical cooking, all of them popular.

In 1921 began the system, elaborated three years later, of rewarding employees for every suggestion made that will help

the Company and themselves to attain its ideals of manufacture, sales, and service, including the elimination so far as possible of error. All suggestions are now sent in and referred anonymously to a practical committee. The smallest cash award is \$5, the largest yet given \$250. When not adjudged of worth enough to earn a cash prize, merit marks are given, which earn monetary reward when enough are accumulated.

### Annuities, Insurance, Thrift

The Company has had service annuities in effect for many years, by which pensions running from \$25 to \$50 a month were granted for disability through superannuation or otherwise, according to circumstances. In June, 1912, the system since in effect was adopted. The amount of the annuity is arrived at by averaging the salary or wage received during the last five years of work and multiplying two per cent of this by the number of years employed, the minimum being \$25 and the maximum \$500 a month.

In lieu of a Christmas turkey, there was adopted on December 24, 1921, a comprehensive plan of gift insurance as a present from the Company and annually renewed. Under it those who have been in the service more than six months but less than a year are given a minimum policy for \$500, and so on up year by year until the maximum of \$1500 is reached on and after six years. In addition all eligible employees are permitted to take out an equal amount of insurance at cost, simply by asking for it, with a conversion privilege if they leave the service of the Company. At the close of 1924 there were 3839 employees in every grade thus provided for to the total amount of \$4,204,500. There is also a liberal death benefit practice, voluntarily applied by the Company when circumstances warrant it.

Systematic saving and investment is definitely cultivated, for which there is a Savings and Investment Fund supervised by responsible company executives. In the current fund, employees of the company have accumulations amounting to approximately \$1,500,000.

A considerable number of employees have become stockholders in the company during the few years since inauguration of the policy of interesting the public in general and the employees of the company in particular in becoming owners of its stock. The total number of stockholders in the company has

nearly doubled in five years. On January 1, 1925, the company was owned by 9,452 stockholders of whom 5880 lived in Chicago and 6817 in Illinois, removing the last vestige of absentee ownership.

### Illness and Emergencies

Sick benefits are paid to all, whether in receipt of salaries or wages, and all so afflicted are regularly visited and their cases kept under constant and watchful care. Loans without interest are also made when the need is urgent, and these are held as strictly confidential.

Perhaps the most interesting service thus rendered is in personal advice and assistance, which has been stretched to cover nearly every imaginable situation. There were 955 of these cases in 1924, the nature of which may be roughly classified thus: 477 were concerned with illness and death, 374 with business and monetary affairs in and out of the Company, 89 with legal matters, 35 with domestic difficulties, and many others. There is also considerable co-operative buying of food, clothing and household necessities which help to ease the cost of living.

It would seem as if nothing could possibly arise and, so arisen, be capable of betterment by understanding, sympathy, advice, and the intelligent use of large financial resources and far-reaching influence, that cannot be met and cared for on the instant, whether for those directly in the Company's service or for the members of their families.

For women, there is further provision made through the dean of women, appointed in 1919, who has direct charge of the six hundred or more feminine employees. She supervises their employment, also their discharge when due cause arises, and acts as an adviser in every case where advice is needed by a woman from a woman both kindly and understanding.

### General Welfare

Both annuities and insurance are grouped under the general head of Employees' Service in the Industrial Relations Department and there is also provision made remedially for anything which may unfavorably affect the condition of the employee. To the manager and his aids he may go for monetary, medical, or legal help of every sort or for amelioration of any of the diverse adversities which beset the life of man. The Com-

pany makes a direct appropriation for the usual cases of this nature, but there is in addition a substantial sum of money available from a source less direct, the origin of which possesses interest.

In July, 1913, George O. Knapp resigned as President and Director of the Company after thirteen years of service as such, with a much longer connection in positions less exalted, and was duly awarded the maximum annuity of \$6000 annually. After a twelvemonth of monthly checks in payment of this, he returned the entire amount, asking that his name be retained throughout his life on the annuitants' list, but that the present sum and all future amounts be placed in the trust then created and to be known as the George O. Knapp Benevolent Fund, for the relief of situations not otherwise provided for in which money wisely spent can be of service; a beneficence as wise as it is original, since it leaves the department with means to cope with any situation.

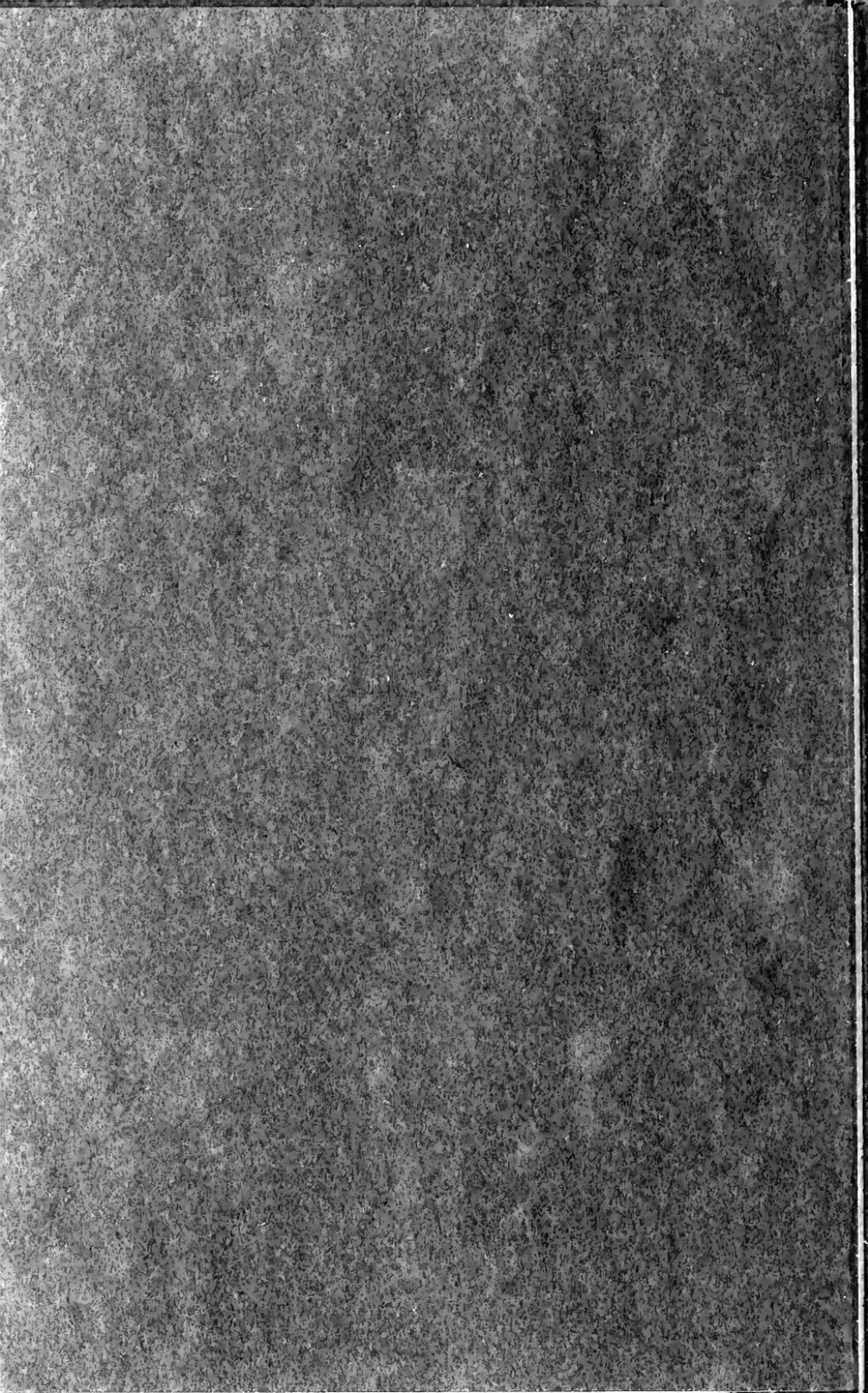
### Universal Benefit

Human affairs are likely to proceed best, historians would have us believe, when governed by enlightened selfishness arrived at through mutual compromise. In the chapter foregoing this appears to be made unusually plain. So large a share of self-government is secured to the employees through their councils that complaints of undue paternalism are deprived of cogency. It would be difficult to state whether the individual is more interested in the terms of his employment, in his health, his recreations, his security, or the security of his family; all are unquestioned factors in that total which constitutes happiness.

The Company is interested no less, but it leaves participation in the various advantages and activities not strictly provided for in the contract of hiring entirely in the hands of the person hired. No one is compelled to belong to the Peoples Gas Club, to accept an annuity or gift insurance policy, a sick benefit emergency, loan, welfare aid, or a chance for education and training, and the rest. Participation in these is entirely voluntary and there is no discrimination against those who refuse to participate.

If any or all of these tend to make an individual better and happier the Company is helped in working out its policies. If they make him a better citizen, the betterment is shared by Company, Community, and Country.







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